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IN THE

Supreme Court of the United States

OCTOBER TERM, 1973

No. 73-1145

TECHNICAL DEVELOPMENT CORPORATION and FRANKLIN F. OFFNER, *Petitioners*

v.

UNITED STATES

PETITION FOR WRIT OF CERTIORARI TO UNITED STATES COURT OF CLAIMS

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UNITED STATES

PETITION FOR WRIT OF CERTIORARI TO UNITED STATES COURT OF CLAIMS

The Plaintiffs, Technical Development Corporation and Franklin F. Offner, petition for a writ of certiorari to review the decision of the United States Court of Claims.

OPINIONS BELOW

The opinions of the Court of Claims, which have not yet been officially reported, are set forth in the Appendix, pages 1 to 71, *infra*.

JURISDICTION

The decision of the Court of Claims was issued on June 20, 1973, although the final judgment resulting therefrom has not been entered.[1]

A timely Motion for Rehearing was denied by the Court on October 26, 1973.[2] This petition for certiorari was filed within ninety (90) days of that date. The jurisdiction of this Court is invoked under 28 U.S.C. 1244(1).

QUESTIONS PRESENTED

1. Does the Court of Claims have authority to determine that a person's patent rights are licensed to the Federal Government in the absence of a contractual obligation or statutory authority?

2. Are terms of contracts between the Federal Government and citizens binding on the Court of Claims, so that the taking of a citizen's patent rights on terms other than those set out in the contract, or when he was not a party to the contract, but predicated on the grounds of "public policy" or "implied license", constitutes a taking of the citizen's property without due process of law and without just compensation, in violation of the Fifth Amendment of the Constitution?

3. Did the Court of Claims commit procedural errors in violation of due process by framing issues af-

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[1] Certain claims of the patents in suit were selected for trial, and other claims were held in abeyance pending the outcome as to the selected claims. The remand of the case to the Trial Commissioner for any further proceedings involves only those claims held in abeyance (App. *infra* p. 17). The judgment has been entered as to the matters here involved.

[2] See Appendix, pp. 73-84.

ter the closing of proofs, which issues were then decided without giving Petitioners an opportunity to present evidence on those issues?

STATUTES AND RULES INVOLVED

U.S. Constitution, Amendment V:

"No person shall * * * be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation."

28 U.S.C. § 1498:

"(a) Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture.

* * *

"A Government employee shall have the right to bring suit against the Government under this section except where he was in a position to order, influence, or induce use of the invention by the Government. This section shall not confer a right of action on any patentee or any assignee of such patentee with respect to any invention discovered or invented by a person while in the employment or service of the United States, where the invention was related to the official functions of the employee, in cases in which such functions included research and development, or in the making of which Government time, materials or facilities were used."

35 U.S.C. § 261:

"Subject to the provisions of this title, patents shall have the attributes of personal property.

"Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representatives may in like manner grant and convey an exclusive right under his application for patent, or patents, to the whole or any specified part of the United States."

Court of Claims Rules:

Rule 37. Defenses:

"(b) Affirmative Defenses: In pleading to a preceding pleading, a party shall set forth affirmatively accord and satisfaction, duress, estoppel, failure of consideration, fraud, illegality, laches, license, payment, release, res judicata, statute of limitations, waiver, and any other matter constituting an avoidance or affirmative defense. When a party has mistakenly designated a defense as a counterclaim or a counterclaim as a defense, the court (or the commissioner) may, if justice so requires, treat the pleading as if there had been a proper designation."

Rule 38. Defenses and Objections; When and How Presented:

"(b) Defenses; How Presented: Every defense, in law or fact, to a claim for relief in any pleading, whether a claim, counterclaim, or a third-party claim, shall be asserted in the responsive pleading thereto if one is required, except that the following defenses may, at the option of the pleader, be made by motion: (1) lack of jurisdiction of the subject matter or the person, and (2) failure to state a claim upon which relief can be granted. A motion making either of these defenses shall be filed before pleading further if a further pleading is permitted. If a pleading sets forth a claim for relief to which the adverse party is not required to serve a responsive pleading, he may assert at the trial any defense in law or fact to

that claim for relief. If, on a motion to dismiss for failure of the pleading to state a claim upon which relief can be granted, matters outside the pleading are presented to and are not excluded by the court, the motion shall be treated as one for summary judgment and shall be disposed of as provided in Rule 101, and all parties shall be given reasonable opportunity to present all material made pertinent to such a motion by Rule 101."

* * *

"(h) Waiver of Defenses: A party waives all defenses and objections which he does not present either by motion as hereinbefore provided or in his answer or reply, except (1) that the defense of failure to state a claim upon which relief can be granted, and the objection of failure to state a legal defense to a claim, may also be made by a later pleading, if one is permitted, or by motion for judgment on the pleadings; and (2) that whenever it appears by suggestion of the parties or otherwise that the court lacks jurisdiction of the subject matter, the court shall dismiss the action."

Rule 39. Amended and Supplemental Pleadings:

* * *

"(b) Amendments To Conform to the Evidence: When issues not raised by the pleadings are tried by express or implied consent of the parties, they shall be treated in all respects as if they had been raised in the pleadings. Such amendments of the pleadings as may be necessary to cause them to conform to the evidence and to raise these issues may be made upon motion of any party at any time, even after judgment; but failure so to amend does not affect the result of the trial of these issues. If evidence is objected to at the trial on the ground that it is not within the issues made by the pleadings, the court may receive the evidence and may allow the pleadings to be amended, and shall do so freely when the presentation of the merits of

the action will be subserved thereby and the objecting party fails to satisfy the court that the admission of such evidence will prejudice him in maintaining his action or defense upon the merits. The court shall afford the objecting party an opportunity to meet such evidence."

STATEMENT OF THE CASE

Petitioners brought this suit in the Court of Claims under 28 U.S.C. § 1498, *supra*, to recover reasonable and entire compensation for the unauthorized use by the United States of Petitioners' patent rights. Dr. Offner owns the patent rights and Technical Development Corporation is his exclusive licensee. Issues of validity and infringement were expressly joined, and were tried. However, without determining whether the patents are valid or are being used by the United States, the Court of Claims concluded that the United States received a license under the patent rights by virtue of certain Government contracts.

Near the end of World War II, jet propelled aircraft were introduced by the enemy forces in Germany, and the United States Government was struggling to perfect its own jet powered aircraft. Fuel control systems for aircraft jet engines had been developed in this country as early as 1943, but were considered to be unsatisfactory. Petitioner, Offner, at his own expense, studied the problems of jet engine control systems and in 1944 developed, built and tested, still at his own expense, an electronic engine speed control system which was superior to the prior control systems.[3] (Appendix, *infra*, pp. 32-34)

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[3] *Offner Products Corp.* v. *Renegotiation Board*, 50 T.C. 856, 864:

"It is clear that petitioner's contribution to the defense effort was historic and immense. Ten years of effort went

In 1945, Dr. Offner discussed his new control system with Air Force personnel at Wright Field. After a demonstration on a jet engine, the Air Force, in 1946, issued to Dr. Offner's company, Offner Electronics Inc., a purchase order W 33-038 ac 15202 (referred to as the 15202 contract) for one of the control systems. This contract contained a standard "patent rights" clause under which Offner Electronics Inc., agreed to grant to the Government a royalty-free license under each invention conceived or first actually reduced to practice in the performance of the contract (Appendix *infra* p. 40).

Dr. Offner applied for a patent on his electronic engine speed control system in August, 1947, and a patent, No. Re. 24,809 (referred to as the '809 patent), was granted subsequently. Dr. Offner continued development and improvement work on his electronic control system. He applied for a patent on his improved system on March 31, 1949, and the patent (referred to as the '908 patent) subsequently issued. The '809 and the '908 patents are the patent rights for which the Petitioners are seeking compensation in the Court of Claims.

In 1948, the Department of the Air Force awarded a contract to Allison Division of General Motors Corporation, Contract W33-038 ac 20375 (referred to as the 20375 contract). This also contained a "patent rights" clause that was substantially identical with that in the 15202 contract. Under the 20375 contract,

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into the development and perfection of the electronic jet engine fuel control. It constituted a 'breakthrough' in the known art and was a significant gateway in the history of electronic gas turbine controls. It gave the United States a decided edge over its international rivals. It saved the Government millions of dollars in money and in time."

Allison was required to purchase and conduct tests of electronic control systems furnished by Thompson Products Company, then a licensee of Offner, and by Bendix, Petitioners' competitor.[4]

Allison obtained the jet engines from the Air Force and purchased the Offner control system from Thompson Products under a subcontract that included the standard "patent rights" clause. Allison then assembled the control systems on the jet engines and conducted the tests required by the contract.

The improved jet engine control system was invented by Dr. Offner before the Air Force awarded the contract to Allison. At the time of the subcontract to Thompson Products, Offner had granted licenses to Thompson Products Company under both the '809 and the '908 patents. Thompson Products, as licensee, had the right to grant sublicenses, but only to the extent of permitting sublicensees "to use, to permit the use of, and sell" the patented equipment purchased from Thompson Products. Thompson Products did not have the right to grant sublicenses to make, or to have made, the Offner control systems. Neither Dr. Offner nor Offner Electronics Inc. was a party to the Allison subcontract, nor were they aware of the existence of the "patent rights" clause in that subcontract.

Both of Petitioners' jet engine control systems have been incorporated in jet engines purchased by the Government from unlicensed sources. In 1957, Petitioners filed an administrative claim with the Air Force, seeking compensation for the use of the patented in-

[4] In an interference proceeding in the Patent Office between Bendix and Offner, the latter was found to be the prior inventor of the electronic fuel control system.

ventions. Having received no action by the Air Force, Petitioners in 1964 brought this suit for the unauthorized use and manufacture by or for the United States of jet engines incorporating the inventions of the '809 and '908 patents.[5] See *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 343 (1927). The parties agreed to try the issue of liability first and, if liability is found, then the issue of damages.

Between 1964 and 1968, the Defendant conducted extensive discovery, after which the trial was held before the Commissioner[6] on the issue of validity of Petitioners' patents and the issue of whether the control systems purchased by the Government infringed Petitioners' patents.

Just before the liability trial, the Government suggested that further investigation would be required to determine whether it had a proper basis for asserting a license defense under either of these contracts. The Government never affirmatively pleaded or otherwise raised a license defense under the 15202 or the 20375 contract before the start of the infringement and validity trial.

The trial Commissioner, after completion of the trial sessions, allowed the Government additional time in which to report on whether a license defense would be asserted, and, if so, to state the basis for the defense. The Government did not come forward with any position on the license defense, but simply submitted a

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[5] The six year statute of limitations is tolled while an administrative claim is pending, 35 U.S.C. § 286.

[6] Court of Claims Rule 14 provides that every case considered in the Court of Claims shall be referred to a commissioner for trial.

group of documents, including a copy of the 20375 contract, and moved for the closing of proof. A copy of the 15202 contract had been introduced during the trial sessions as relevant to the issue of validity. No trial session was held on the license issue.

The proceedings, as to the license defense, are succinctly stated in the Opinion of the Court of Claims, Appendix page 2, as follows:

> "The defendant never affirmatively pleaded or otherwise raised its license defense before the start of the trial, but instead raised the possibility of presenting proof with respect to such a defense only after the trial had already commenced. Following the disclosure of the possible license defense, there were discussions and correspondence between the parties and the commissioner concerning the scheduling of separate trial proceedings to focus specifically on such a defense. Six months after the regular trial sessions were concluded, the defendant submitted a voluminous package of documents apparently meant, in large part, to be the basis of its license defense, thereby avoiding the necessity of a separate trial. The documents were admitted into evidence by a stipulation between the parties as to their authenticity, and thereafter the proofs were closed."

After the close of proofs, Petitioners filed proposed findings of fact based on the trial record and a brief relating to infringement of Petitioners' patents by the Government. The Defendant then filed its proposed findings of fact and a brief relating to the issues of validity and infringement, and stating for the first time a defense of license by virtue of the patent rights clause of the 20375 contract.[7] The Defendant did not

[7] Appendix p. 55.

contend for a license under the 15202 contract. Petitioners then filed a reply brief arguing that the license defense had not been properly tried, and that the facts proven by the Government do not support the license defense.

The Commissioner entered findings of fact, an opinion, and recommended conclusions of law (App. pp. 5-71). The Commissioner found that the invention of the '809 patent was first actually reduced to practice under the 15202 contract, and therefore licensed to the Government under the patent rights clause. Nevertheless, the Commissioner acknowledged the incompleteness of the proof of whether the invention of the '809 patent was actually reduced to practice by Petitioners before the 15202 contract (App. p. 67, finding 54c ii).

The Commissioner determined that the Government is licensed under the '908 patent under an implied license based on the relationship between Offner and Thompson. Alternatively, the Commission found a license on the theory that Offner and Thompson were engaged in a joint venture, which bound Offner, under the provisions of the contract. (App. p. 70 Findings 62 and 64)

The Government's motion to close the proof without going forward with its often expressed intention to take proof on the suggested, but not pleaded, issue of license, caused the Petitioners to conclude that the Government had waived (Rule 38(h), *supra*) the suggested license defense. When the Defendant's brief was filed, first asserting the license defense, the Petitioners suggested to the Commissioner the reopening

of proofs on this belated defense. This was disregarded by the Commissioner, and later, when a similar request was made to the Court, it was denied.

The Court adopted the Commissioner's findings of fact and conclusions of law, and concurred that an implied license accrued to the Government:

> ". . . . . the court emphasizes its particular reliance on the implied license as grounds for defendant having a right to use the invention in question because it is very clear that defendant would still win even if the court were to grant plaintiff's motion to reopen and to consider all the evidence now proffered in that motion. Alternatively, the court adheres to the joint venture basis also relied upon by Trial Commissioner Davis, on the basis of evidence before him." (Opinion pp. 4-5)

Petitioners objected to the Commissioner's finding of a license under either patent and urged that Petitioners did not have an oportunity to be heard on these issues. The Court of Claims dismissed Petitioners' procedural arguments on the ground that Petitioners should have "had a clear understanding of the thrust of the Defendant's license defense" from Defendant's brief, and that Petitioners' request to reopen the proofs is "incompatible with the principle of certainty in judicial determinations" (Appendix, p. 3).

After the Court's decision adopting the Commissioner's Findings of Fact and Recommended Conclusions of Law, Petitioners applied for rehearing on the basis of alleged procedural errors. The Motion for Rehearing was denied without comment by the Court on the procedural errors (Appendix, p. 84).

REASONS FOR GRANTING THE WRIT

1. The Court of Claims Has Exceeded Its Authority in Declaring That the Federal Government Has Rights in Patents Regardless of the Terms of a Contract Governing Such Rights.

The Court of Claims is the only Court having jurisdiction to determine the reasonable and entire compensation to be recovered by a patentee for the unauthorized use by the United States of a patented invention. 28 U.S.C. § 1498(a). In a Petition for a Writ of Certiorari to the Court of Claims, the Solicitor General informed this Court with respect to patent suits in 1970 in the Court of Claims:[8]

> "At the present time, 71 such actions are pending in that court, with an estimated potential liability between $250 million and $500 million."

In many pending cases, the United States has sought to defeat the petitioner's claim on the ground that the patent is licensed to the Government by virtue of a "patent rights" clause contained in a prior contract between the petitioner and the Government.

The "patent rights" clauses are routinely included in Government contracts in standard form.[9] All Army, Navy and Air Force contracts for the purchase of all goods or services, involving research and development are required to contain the "patent rights" clause. In 1965, $4.8 billion was spent by the Department of Defense under research and development contracts.[10]

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[8] *The Garrett Corporation* v. *United States*, October Term 1970, No. 674.

[9] Armed Services Procurement Regulations, ¶ 9-103.

[10] Government Patent Policy Study Final Report, Harbridge House, Inc., Vol. 1, 1968.

The widespread use of the "patent rights" clause, particularly since World War II, is reflected in a number of decisions by the Court of Claims on the issue of whether or not a patent is viewed pursuant to a Government contract containing the standard "patent rights" clause. (*Erie Resistor Corporation* v. *United States*, 279 F.2d 231 (Ct. Cl. 1960); *Ushakoff* v. *United States*, 327 F.2d 669 (Ct. Cl. 1964); *Soundscriber* v. *United States*, 360 F.2d 954 (Ct. Cl. 1966); *Mine Safety Appliances Company* v. *United States*, 364 F.2d 385 (Ct. Cl. 1966); *Eastern Rotorcraft* v. *United States* 384 F.2d 429 (Ct. Cl. 1967); *AMP, Inc.* v. *United States*, 389 F.2d 448 (Ct. Cl. 1968); *Tripp* v. *United States*, 406 F.2d 1066 (Ct. Cl. 1969); *Technitrol, Inc.* v. *United States*, 440 F.2d 1362 (Ct. Cl. 1971)).

This Court has declared, *Hartford-Empire Co.* v. *United States*, 323 U.S. 386, 415, 65 S.Ct. 373, 387 (1945):

> "That a patent is property, protected against appropriation both by individuals and by government, has long been settled."

Although the disposition of patent rights arising out of Government contracts is of national importance involving property rights in the billions of dollars, this Court has not reviewed this subject since *United States* v. *Dubilier Condenser Corp.*, 289 U.S. 178, 192, 53 S.Ct. 554, 559 (1933):

> "The United States is entitled, in the same way and to the same extent as a private employer to shop rights, that is, the free and nonexclusive use of a patent which results from efforts of its employee in his working hours and with materials belonging to the government (Cases cited).

> "The statutes, decisions, and administrative practice negate the existence of a duty binding one in the service of the government different from the obligation of one in private employment."

Even in *Dubilier*, the Court did not review the construction of "patent rights" clauses in Government contracts.

Prior to 1966, the decisions of the Court of Claims involving the allocation of patent rights between the patentee and the Government were consistent with *Dubilier* in requiring a contractual obligation, i.e. a patent rights clause between the parties. The Court found a license to the Government only when the terms of that contractual obligation were fully met. Thus, the Court of Claims' decisions were consistent with *Dubilier, supra*:

> "*Third.* When the United States filed its bills, it recognized the law as heretofore declared; realized that it must, like any other employer, if it desired an assignment of the respondent's rights, prove a contractual obligation on the part of Lowell and Dunmore to assign the patents to the government." (p. 193 of 289 U.S.)

Since 1966, the Court of Claims decisions have developed a broader, "public policy" view that the Government is licensed if there is an "umbilical connection" between the invention and work done under a Government contract (see pages 17 to 20 *infra*). The effect of these decisions is that the Court of Claims has assumed the authority of Congress and transferred to the Government patent rights of great value. This Court, in *Dubilier*, 289 U.S. 178, 208-9,

specifically declared that the courts do not have such authority:

> "All of this legislative history emphasizes what we have stated—that the courts are incompetent to answer the difficult question whether the patentee is to be allowed his exclusive right or compelled to dedicate his invention to the public. . . . . Hitherto both the executive and the legislative branches of the government have concurred in what we consider the correct view,—that any such declaration of policy must come from Congress . . . . ."

The Court of Claims has progressively expanded its authority to declare the extent of Government rights in patents. This Court has not reviewed the scope of authority of the Court of Claims to transfer patent rights to the Government in the absence of contractual or statutory authority. This is an appropriate case for such review.

2. The Law as Developed by the Court of Claims Since 1966 Has Become Unsettled, Thereby Fostering Litigation.

The Court of Claims in *Mine Safety Appliances Company* v. *United States*, 364 F.2d 385, (1966), introduced a principle of liberalization in interpreting the "patent rights" clause (see p. 392 of 364 F.(2d)). The Court openly acknowledged that it was extending the policy of 28 U.S.C. § 1498(a) which expressly applies to inventions made by federal employees, and the policy of *United States* v. *Dubilier Condenser Corp.*, 289 U.S. 178, 188-189, and stated at page 392 of 364 F.(2d):

> ". . . Even in the absence of a patent-license clause in the contract, the same general policy has been applied by this court to give the United States an implied license, as against the contractor-pat-

> entee, to use inventions resulting from a federal experimental and development contract. Ordnance Eng'r Corp. v. United States, 68 Ct.Cl. 301, 352-353 (1929). The same liberality should infuse an express contractual provision like Section 17. In the discussions of the last two-and-a-half decades over the patent policy which the Federal Government should pursue in its contracts, there does not seem to have been much question that the United States is at least entitled to a royalty-free nonexclusive license for practice of inventions made under or in the course of a federal contract."

The Court in *Mine Safety* found that the Government was licensed even though such a license was negated by the express provisions of the contract. Query: Would the contractor have entered into the Government contract, if he had known that the "patent rights" clause would not be applied as its terms clearly state?

In *Eastern Rotorcraft* v. *United States, supra* (1967), the Court considered the effect of the "patent rights" clause on plaintiff's right to recover compensation for use of his invention. Although the patentee had been informed by the Government of the problems which led him to make his invention, the patentee did not enter into a contract with the Government until after he had reduced his invention to practice. The Court found that under the terms of the "patent rights" clause, the Government was not licensed. Furthermore, the fact that the patentee granted a license to an improvement invention did not give rise to an implied license under the earlier patent.

In view of the decision the following year in *Eastern Rotorcraft* v. *United States*, supra, the *Mine Safety Appliance* case could be interpreted as a special sit-

uation limited to its own facts. However, in 1968, the Court decided *AMP, Inc.* v. *United States*, supra, where again the Court examined the standard "patent rights" clause and determined that there was no license under the express terms of the clause, but nevertheless the Court held that the Government had an implied license. The only mention of the *Mine Safety Appliance* case appearing in *AMP, Inc.* v. *United States* is in the concurring opinion (p. 456 of 389 F. (2d)).

This liberality of interpretation of the "patent rights" clause was further indicated in *Technitrol, Inc.*, where the Court said (p. 1372 of 440 F.2d):

> "What Mine Safety teaches is that the issue of license *vel non* should be approached liberally by asking what the United States (acting for its taxpayers) can fairly be said to have purchased through its sponsorship of the contract project. The Federal Government has the right to use, royalty free, those ideas, improvements, discoveries, and inventions—crystallized during performance of the federal contract—which have a 'close and umbilical relationship' to the work and research funded by the United States."

The present decision on which this Petition is filed, goes even farther than *Technitrol, supra*, in declaring that privity of contract is unimportant (contrary to *Ushakoff* v. *United States* and *Tripp* v. *United States*, as well as *United States* v. *Dubilier Condenser Corp.*), and that the allocation of patent rights between the parties is not controlled by the patent rights clause of the contract (contrary to *Erie Resistor Corporation* and *Eastern Rotorcraft, supra*).

This present decision gives this Court a unique opportunity to clarify the law on the disposition of patent rights between contractors and the United States, since several contract relationships are involved. This clarification would be in the area where the opinions of the Court of Claims seem irreconcilable. It concerns an area as to which this Court has not spoken, but should, in the interest of clarification of the law.

Petitioner's employer was a party to the 15202 contract and the issue in this case is whether the Government is entitled to a license under the terms of that contract on a basis never claimed by the Government and not tried.

In the second case, (the 20375 contract) Petitioner, Offner, was not a party to the contract, and thus not required by any "patent rights" clause to grant a license to the Government. Petitioner's licensee, Thompson Products, however, held a subcontract containing a "patents rights" clause, under the 20375 contract. The issue here is whether Petitioners, although not parties to any contract here involved, are nevertheless barred from obtaining compensation through an "implied license", or through "joint venture", two alternative theories advanced by the Court, but neither of which was tried nor even made an issue during the trial period.

It should be noted that the decisions of the Court of Claims are followed by various administrative agencies in reviewing the "patent rights" clause in Government contracts to determine the disposition of patent rights administratively. *In re New York University*, ASBCA No. 14,779 (1971), 170 USPQ 101. For example, in *American Nucleonics Corporation*, ASBCA No. 15,370, decided April 17, 1973, the Armed Services

Board of Contract Appeals reviewed the Court of Claims decisions in *Mine Safety, supra,* and *Technitrol, supra,* and stated:

> "The cited Court of Claims cases show that the government's entitlement to a royalty-free license is not dependent on the invention having been conceived or finally reduced to practice in the course of performance of the government contract containing the patent rights clause, if there was a 'close and umbilical connection' between the invention and the government-financed research work."

Thus, the Armed Services Board would no longer rely on the express agreement of the contracting parties, but would decide what the Government should be entitled to get, regardless of the contract provisions.

In ostensibly applying this reasoning to the present case, the Court of Claims goes much further, finding a license to accrue to the Government even though the inventions may have been made outside the scope of any contract.

If the Court of Claims continues to deny just compensation, on any basis other than actual contract, inventors will have no alternative but to conceal their inventions from the Government, to the detriment of National defense.

The decisions of the Court of Claims heretofore have promoted uncertainty,[11] and if anything, have fostered litigation in the Court of Claims because of the reluctance of the Government to settle any case in which there is the possibility of raising a license defense. If

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[11] See: Davis, (Court of Claims Commissioner in this case) Patent Licenses Under Government Contracts: New Judicial Scrutiny; 55 Journal of Patent Office Society 503-15 (1973).

the law in this area were clarified, it is reasonable to expect a substantial reduction in the caseload of the Court of Claims.

3. Court of Claims Rules of Practice Are Designed To Safeguard the Private Citizen and Failure of the Court To Apply Its Rules Requires Prompt Corrective Action.

The Court's decision finding a license by reason of the 15202 contract and the 20375 contract without formulating an issue or giving the Petitioners an opportunity to present proofs on the question of license, amounts to taking the Petitioners' property "without just compensation" (U.S. Constitution, 5th Amendment). *United States* v. *Miller*, 317 U.S. 369, 373; 63 S.Ct. 276, 279 (1943):

> "The Fifth Amendment of the Constitution provides that private property shall not be taken for public use without just compensation. Such compensation means the full and perfect equivalent in money of the property taken."

The failure of the Commissioner and the Court to follow its Rules requiring the trial of definite issues, is a denial of due process. A clear statement of the requirements for due process is contained in the Opinion of Mr. Chief Justice Hughes in *Morgan* v. *United States*, 304 U.S. 1, 18, 58 S.Ct. 773, 776 (1938):

> ". . . . . The right to a hearing embraces not only the right to present evidence, but also a reasonable opportunity to know the claims of the opposing party and to meet them."

See also *Jenkins* v. *McKeithen*, 395 U.S. 411, 429, 89 S.Ct. 1843, 1853 (1969).

The Court of Claims acknowledged (Appendix p. 2) that the license defense was not pleaded before trial,

but the Defendant merely "raised the possibility of presenting proof". Six months after the trial was concluded, and still without pleading a license defense, the "Defendant submitted a voluminous package of documents", which included the 20375 contract. The Court of Claims found that those documents were "apparently meant, in large part, to be the basis of the license defense." As noted by the Court in its Decision, the Defendant first formulated its license defense in its brief after the close of proof:

> "With their right to reply effectively reserved the plaintiffs received the defendant's brief and recommended findings of fact filed before the commissioner in which the defendant itemized, in detail, [and for the first time] the grounds for its license defense. . . . . .
>
> * * *
>
> "At this point, the plaintiffs had or should have had a clear understanding of the thrust of the defendant's license defense. . . . . "
>
> (Appendix page 3)

This Court has consistently held that arguments in briefs do not meet the requirements for notices of issues. *Standard-Vacuum Oil Co.* v. *United States*, 339 U.S. 157, 160-161, 70 S.Ct. 545, 547 (1950); *United States* v. *Causby*, 328 U.S. 256, 297, 66 S.Ct. 1062, 1069 (1946); *American Propeller & Mfg. Co.* v. *United States*, 300 U.S. 475, 479, 57 S.Ct. 521, 523 (1937).

The plain import is that the issue of license [12] was not tried and it was not advanced as an issue until the

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[12] With respect to the 15202 contract, the failure of due process goes even further; the defendant never proposed, even in its brief, that it was entitled to a license under the 15202 contract, but only that the Government was licensed under the 20375 contract. (Appendix, p. 3)

defendant filed its brief with its proposed findings of fact and conclusions of law. This was after the proofs had been closed, as the Court below noted. The Commissioner and the Court should have followed Rule 37(b) *supra* of the Court of Claims Rules and should have held that the plea of a license was waived (Rule 38(h).

This case indicates a change of direction by the Court of Claims away from its previous decisions that affirmative defenses if unpleaded are waived, in accordance with its rules. Futhermore, this decision fails to follow the clear import of decisions of this court, *supra*.

As recently as 1967 and prior thereto, the Court of Claims has repeatedly rejected arguments based on unpleaded affirmative defenses not fully tried. *Gmo, Niehas & Co.* v. *United States*, 373 F.2d 944 (Ct.Cl. 1967); *Standard Shipbuilding Corporation* v. *United States*, 135 F.Supp. 892 (Ct.Cl. 1944); *Love* v. *United States*, 104 F.Supp. 102 (Ct.Cl. 1952).

All of these cases involved affirmative defenses which were not pleaded and, like the issue of license here raised in the Government's brief, were belated arguments made with respect to such issues and were consistently rejected by the Court.

In the *Niehaus* case, the Court pointed out that the "ten year belated defense" was raised by the Government "in its brief to the Court excepting to the Trial Commissioner's recommendations" (p. 959 of 373 F.(2d)). Here the belated defense of license was raised by the Government twelve years after Petitioners first filed their claim for compensation. It was rejected in Niehaus, but allowed by the Court of Claims here without an adequate opportunity for the Petitioners to present proofs on this decisive issue.

This is a clear violation of the due process provision in the Fifth Amendment and it also portends a trend away from due process by the Court of Claims that should be turned around by this Court's power of supervision and review.

The basis for the Court's decision in thus denying the Petitioners an opportunity to present evidence is that there should be a finality of judgment, but that principle does not outweigh the necessity for due process. It cannot stand as a means of taking Petitioners' property without just compensation. It is a violation of the Fifth Amendment.

RELIEF SOUGHT

The Court should determine whether, under the circumstances, the Government is licensed or has waived the license defense (Rule 38h, *supra*), or in the alternative, to remand the case to the Court of Claims with direction to take proofs on the decisive issue of the license defenses, raised by the Government in its brief.

In *Clayton Chemical & Packaging Co.* v. *United States*, 383 U.S. 821, 86 S.Ct. 1128 (1966), this Court ordered a remand to the Customs Court for further proceedings, including the taking of testimony in lieu of affidavits that were held inadmissible in the Opinion of the Court. There it was noted, the Solicitor General had suggested that the motion to reopen should have been earlier filed. A similar suggestion was made in the Opinion of the Court of Claims here. Nevertheless this Court held that the case should be remanded for the taking of oral testimony necessary to support the findings of fact.

CONCLUSION

The Court of Claims is the people's court. It is the place where private citizens can seek remedy for wrongs by the Government. That Court should not deprive the Petitioners of their patent rights in the absence of an express contract or statute and should not conclude that the Government is licensed without a clear formulation of that issue and a full opportunity to present evidence with respect thereto.

The Petitioners have been deprived of their rights in violation of the Fifth Amendment. This Court should exercise its power of supervision and review.

Respectfully submitted,

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